



**U.S. Department of Justice**

*United States Attorney  
Eastern District of California*

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*McGregor W. Scott  
United States Attorney*

*501 I Street, Suite 10-100  
Sacramento, California 95814*

*916/554-2700  
Fax 916/554-2900*

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**WEB PAGE DESIGNER OF INTERNET SCAM  
SENTENCED FOR ROLE IN INVESTMENT FRAUD AND MONEY LAUNDERING  
SCHEME**

**Case Involves \$60 Million in Investments by 15,000 Investors**

SACRAMENTO--United States Attorney McGregor W. Scott, Special Agent in Charge Keith Slotter, Federal Bureau of Investigation ("FBI"), and Special Agent in Charge Roger L. Wirth, Internal Revenue Service - Criminal Investigation Division ("IRS-CID") announced today that James Michael Webb, 42, formerly of San Jose, California and Puerto Vallarta, was sentenced today by United States District Judge Edward J. Garcia to 59 months in prison. He received this sentence based on his role in the Tri-West Investment Club, an Internet-based investment fraud scheme that netted nearly \$60 million. The Tri-West case is one of the largest Internet investment fraud cases in the country.

According to Assistant U.S. Attorneys John K. Vincent and Robin Taylor, who are prosecuting the case, Webb pleaded guilty on June 11, 2003, to one count of mail fraud, one count of wire fraud, and one count of conspiracy to commit money laundering. Co-defendant Alyn Waage, the scheme's mastermind, pleaded guilty to mail fraud, wire fraud, and conspiracy to commit money laundering on May 5, 2003. Sentencing for Alyn Waage is currently set for March 11, 2005, before United States District Judge Edward J. Garcia.

Vast "Ponzi" Scheme

Webb has previously admitted in court that he was involved in the Tri-West Investment Club, which solicited investments in a "Bank Debenture Trading Program" on the Internet using the Web site [www.triwestinvest.com](http://www.triwestinvest.com). The Web site claimed that this program, formerly available only to the "very wealthy," offered investors a "guaranteed high return" with "no risk" of loss. Tri-West claimed it earned these returns by purchasing "Promissory Bank Notes" issued by key "Prime Banks." Visitors to the Web site were invited to join by investing in \$1,000 increments, and were promised 120 percent annualized return.

Tri-West was not a legitimate investment company and there never was any "Bank Debenture Trading Program." Instead, Tri-West was a vast "Ponzi" scheme that used more recent investor funds to make "dividend" payments to earlier investors to give the false impression of a successful investment program. None of the investors' money was invested as promised on the Web site, but instead was used to purchase millions of dollars worth of real property in Mexico and Costa Rica, as well as high-priced items such as a yacht, helicopter, and numerous late-model cars. Millions of dollars were funneled to numerous bogus "shell" corporations that were created in Costa Rica for the purpose of concealing the ill-gotten gains. Tri-West duped approximately 15,000 investors to invest approximately \$60 million from 1999 to September 2001.

Webb previously admitted that he was hired by Alyn Waage in May 2000, to design the Tri-West Web page, and that he continued to work for Tri-West even after determining it was a fraudulent operation. Webb further admitted to posting false information on the Tri-West Web site on or about April 19, 2001, to "lull" investors into believing all was well and that the information was from Tri-West President, Jason Kingsley, who Webb admitted was a fictional character. According to Webb, he also asked others to post false information on the Internet regarding Tri-West to assure investors that their money was safe, and in June 2001, Webb had false information posted on the Tri-West Web site indicating that Tri-West had not re-opened its offices in part because a "malicious electronic virus" had been sent to its computer server.

#### Seizures and Arrests in Costa Rica, Latvia, and Mexico

In September 2001, Costa Rican authorities, in cooperation with the FBI and the U.S. Attorney's Office, seized and froze numerous assets connected to the fraudulent scheme, including millions of dollars in Costa Rican banks, real property, cash, jewelry, a yacht, helicopter, and cars. At the same time, Alyn Waage and Michael Webb were arrested. Alyn Waage and Webb were extradited to the United States in December 2002. Requests for international assistance have also resulted in the freezing of millions of dollars in bank accounts, and the seizure of real property, in Latvia and Mexico.

#### Cases Against Other Defendants

On April 29, 2002, Cary Waage, Alyn Waage's son, pleaded guilty to one count of mail fraud and one count of conspiracy to commit money laundering. Cary Waage was sentenced on July 9, 2004, to 50 months in prison, and ordered to pay a \$250,000 fine. On November 18, 2005, co-defendant Keith Nordick pleaded guilty, and he is scheduled for sentencing on February 25, 2005.

Criminal complaints have also been filed against Lynn Waage Johnston, Alyn Waage's sister and Tri-West's alleged bookkeeper; and Evan Theodore Smith Pryor, an alleged Tri-West operative in Costa Rica. Johnston and Smith Pryor are currently fugitives. The Complaints against these defendants contain only allegations, and those defendants who have not pled are presumed innocent until proven guilty at trial.

#### Forfeiture

The United States Attorney's Office has also instituted two civil actions relating to Tri-

West that seek the forfeiture of the millions of dollars of assets in Costa Rica, which are allegedly connected to the scheme. Assistant U.S. Attorney Courtney Linn is handling the civil cases. In January 2003, Judge Edward J. Garcia entered final judgments of forfeiture with respect to the Costa Rican assets. Criminal forfeiture actions are pending to recover additional assets in Mexico and Latvia, worth millions of dollars.

On December 19, 2002, the SEC also obtained a permanent injunction against Alyn Waage, based on multiple securities violations. In connection with that proceeding, Alyn Waage was ordered to disgorge \$58 million and pay a civil penalty. In addition, more than 10 states have already filed cease and desist orders against Tri-West for alleged violations of the securities laws. The North American Association of Securities Administrators has actively investigated this case. The national Internet Fraud Complaint Center, a joint organization of the FBI and National White Collar Crime Center, which is located in West Virginia, has also coordinated complaints regarding Tri-West.

This case has been investigated with the assistance of the Federal Bureau of Investigation, Internal Revenue Service - Criminal Investigation, and the U.S. Securities & Exchange Commission. The U.S. Marshals Service assisted with the extradition of the defendants from Costa Rica to the United States and with helping to secure assets in Costa Rica.

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